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**中國水業集團有限公司\***  
**CHINA WATER INDUSTRY GROUP LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 1129)**

**DISCLOSEABLE AND CONNECTED TRANSACTION  
IN RELATION TO  
CAPITAL INJECTION INTO THE TARGET COMPANY**

**CAPITAL INJECTION AGREEMENT**

The Board wishes to announce that, on 5 January 2023 (after trading hours of the Stock Exchange), New China Water Nanjing, an indirect non-wholly owned subsidiary of the Company, entered into the Capital Injection Agreement with Beijing Zhenhui and the Target Company.

Pursuant to the Capital Injection Agreement, New China Water Nanjing shall contribute RMB18,000,000 (equivalent to approximately HK\$20,540,000) to the registered capital of the Target Company. Upon completion of the Capital Injection, (i) the registered capital of the Target Company will be increased from RMB12,000,000 (equivalent to approximately HK\$13,693,000) to RMB30,000,000 (equivalent to approximately HK\$34,233,000), and (ii) New China Water Nanjing and Beijing Zhenhui will hold as to 60% and 40% equity interest in the Target Company, respectively.

**LISTING RULES IMPLICATIONS**

As the applicable percentage ratio(s) (as defined under the Listing Rules) in respect of the Capital Injection, is more than 5% but less than 25%, the entering into of the Capital Injection Agreement constitutes a discloseable transaction on the part of the Company under the Listing Rules and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Further, as at the date of this announcement, Beijing Zhenhui is a substantial shareholder of 霍邱徽沼可再生能源科技有限公司 (for transliteration purpose only, Huoqiu Huizhao Renewable Energy Technology Co., Ltd.<sup>#</sup>), which in turn is an indirect non-wholly owned subsidiary of the Company. Beijing Zhenhui is thus a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules. Accordingly, the transaction contemplated under the Capital Injection Agreement constitutes a connected transaction on the part of the Company under Chapter 14A of the Listing Rules.

\* For identification purposes only

As (i) Beijing Zhenhui is a connected person of the Company at the subsidiary level; (ii) the Board has approved the Capital Injection Agreement and the transaction contemplated thereunder; (iii) the independent non-executive Directors have confirmed that the terms of the transaction are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole, the transaction contemplated under the Capital Injection Agreement is subject to the reporting and announcement requirements but is exempt from the circular, independent financial advice and shareholders' approval requirements.

## **INTRODUCTION**

The Board wishes to announce that, on 5 January 2023 (after trading hours of the Stock Exchange), New China Water Nanjing, an indirect non-wholly owned subsidiary of the Company, entered into the Capital Injection Agreement with Beijing Zhenhui and the Target Company.

### **Capital Injection Agreement**

The principal terms of the Capital Injection Agreement are set out as follows:

**Date:** 5 January 2023

**Parties:** (i) New China Water Nanjing;  
(ii) Beijing Zhenhui; and  
(iii) Target Company

**Capital Injection:** As at the date of this announcement, the registered capital of the Target Company is RMB12,000,000 (equivalent to approximately HK\$13,693,000), and the Target Company is wholly-owned by Beijing Zhenhui.

Pursuant to the Capital Injection Agreement, New China Water Nanjing shall contribute RMB18,000,000 (equivalent to approximately HK\$20,540,000) to the registered capital of the Target Company. The capital contribution by New China Water Nanjing under the Capital Injection Agreement is expected to be financed by the internal resources of the Group.

Upon completion of the Capital Injection, (i) the registered capital of the Target Company will be increased from RMB12,000,000 (equivalent to approximately HK\$13,693,000) to RMB30,000,000 (equivalent to approximately HK\$34,233,000), and (ii) New China Water Nanjing and Beijing Zhenhui will hold as to 60% and 40% equity interests in the Target Company, respectively.

The shareholding structure of the Target Company before and after the completion of the Capital Injection is set out as follows:

	<b>Before completion of the Capital Injection</b>		<b>After completion of the Capital Injection</b>	
	<b>Amount of the registered capital of the Target Company</b> <i>(in RMB)</i> <i>(‘000)</i>	<b>Percentage</b> <i>%</i>	<b>Amount of the registered capital of the Target Company</b> <i>(in RMB)</i> <i>(‘000)</i>	<b>Percentage</b> <i>%</i>
New China Water Nanjing	—	—	18,000	60.00
Beijing Zhenhui	12,000	100.00	12,000	40.00
<b>Total:</b>	<b>12,000</b>	<b>100.00</b>	<b>30,000</b>	<b>100.00</b>

**Payment of the amount of capital contribution:**

Upon the fulfillment of all conditions under the Capital Injection Agreement as set out in the section headed “Capital Injection Agreement — Conditions” in this announcement, New China Water Nanjing shall pay to the Target Company in cash, the amount which equals to the agreed proportion of the registered capital of the Target Company (i.e. RMB18,000,000).

**Basis of the amount of capital contribution:**

The amount of capital contribution was arrived at after arm’s length negotiations among the parties to the Capital Injection Agreement and was determined with reference to, among others, (i) the nature of the business; (ii) the estimated working capital requirements; (iii) the future prospects of the principal business of the Target Company; and (iv) the factors as set out in the paragraph headed “Reasons for and benefits of the Capital Injection” in this announcement.

**Conditions:**

New China Water Nanjing’s obligation to make payment under the Capital Injection Agreement is subject to the fulfilment of the following conditions:

- (a) the parties agreeing to and duly signed the Capital Injection Agreement, including all ancillary documents thereto;

- (b) the Target Company having amended the Target Company's Articles in accordance with the Capital Injection Agreement and the amended Target Company's Articles having been duly signed by all shareholder(s) of the Target Company, and such amendments and signature(s) having been approved in writing by New China Water Nanjing;
- (c) all relevant consents and approvals required for the transactions contemplated under the Capital Injection Agreement having been obtained from the Target Company, 北京西拓聯合環境工程有限公司 (for transliteration purpose only, Beijing Xituo United Environmental Engineering Co., Ltd.<sup>#</sup>), an affiliate of Beijing Zhenhui, and other third parties, including but not limited to all relevant consents and approvals from the executive directors of the Target Company, the shareholders' resolution of the Target Company having been passed to approve the Capital Injection and the abovementioned amendments to the Target Company's Articles;
- (d) the Target Company and Beijing Zhenhui having made full, true and complete disclosure in writing to New China Water Nanjing in respect of the assets, liabilities, equity, external guarantees of the Target Company and all information relating to the Capital Injection Agreement;
- (e) during the Transitional Period, there has been no material adverse change in the Target Company's operation or financial position, etc., (as determined at New China Water Nanjing's sole discretion) and no profit distribution of any kind has been made;
- (f) during the Transitional Period, the Target Company has not created or permitted to subsist any encumbrance of rights on any assets or property. The Target Company has not, directly or indirectly, disposed of its principal assets in any way, and has not incurred or assumed any material liabilities (other than disposals or liabilities in the ordinary course of business operations);

- (g) during the Transitional Period, the Target Company shall not hire or dismiss any key employee, nor increase or undertake to increase their wages, salaries, compensation, bonuses, incentive awards, pensions or other benefits payable by the Target Company, and the Target Company shall enter into formal employment contracts with the employees of the Target Company as set out in the Capital Injection Agreement and pay all social insurance in accordance with the applicable laws;
- (h) during the Transitional Period, Beijing Zhenhui shall not transfer part or all of the equity interests held by it in the Target Company or pledges or otherwise create encumbrances on such equity interests;
- (i) there shall not exist any illegal or irregular behavior in the Target Company, as a business entity; and
- (j) within ten (10) Business Days following the execution of the Capital Injection Agreement, the Target Company shall register New China Water Nanjing and Beijing Zhenhui as shareholders of the Target Company in the register of shareholders of the Target Company respectively, and the Target Company shall be responsible for the corresponding registration procedures (including but not limited to the filing of the amended and signed Target Company's Articles and the election of the directors of the Target Company in accordance with the Capital Injection Agreement) (the "**Registration of Modifications**").

In the event that any of the conditions set out above have not been fulfilled before 30 March 2023, New China Water Nanjing shall have the right to unilaterally terminate the Capital Injection Agreement by written notice without any legal liability, and Beijing Zhenhui and the Target Company shall cooperate with New China Water Nanjing in the relevant procedures and bear the corresponding legal liability. As at the date of this announcement, conditions a, b, c, d and i above have been fulfilled.

**Handover procedures:**

Within two (2) Business Days after completion of the Registration of Modifications showing that New China Water Nanjing holds 60% of the equity interest in the Target Company, Beijing Zhenhui shall conduct the relevant handover procedures (the "**Handover Procedures**").

**Completion:**

Upon completion of the Capital Injection, the Target Company will become an indirect non-wholly owned subsidiary of the Company and therefore the financial information of the Target Company will be consolidated into the financial statements of the Group.

**Management structure:***Composition of the board of directors*

The board of directors of the Target Company shall comprise five (5) directors, three (3) of which shall be nominated by New China Water Nanjing and two (2) of which shall be nominated by Beijing Zhenhui. The chairman of the board of the Target Company shall be nominated by New China Water Nanjing.

*Financial officer and general manager*

The financial officer of the Target Company shall be nominated by New China Water Nanjing and the general manager of the Target Company shall be nominated by Beijing Zhenhui.

*Supervisory committee*

The supervisory committee of the Target Company shall comprise three (3) members, of which two (2) members shall be nominated by New China Water Nanjing and one (1) member shall be nominated by Beijing Zhenhui.

Each of New China Water Nanjing and Beijing Zhenhui shall within two (2) Business Days upon the execution of the Capital Injection Agreement, provide a list of personnel that each party is entitled to nominate. The Target Company shall within three (3) Business Days upon the execution of the Capital Injection Agreement convene and hold a meeting of the board of directors to approve the amended Target Company's Articles.

**Registration of Modifications:**

The Target Company shall, within ten (10) Business Days following the execution of the Capital Injection Agreement, procure the Registration of Modifications and New China Water Nanjing and Beijing Zhenhui shall cooperate to effect the said Registration of Modifications.

**Rights and obligations:**

Upon New China Water Nanjing having become a shareholder of the Target Company, New China Water Nanjing shall be entitled to all shareholders' rights and shall assume such shareholders' obligations in accordance with the applicable laws, the Capital Injection Agreement and the Target Company's Articles. New China Water Nanjing and Beijing Zhenhui shall be entitled to such capital reserve, surplus reserves and undistributed profits of the Target Company in proportion to their respective equity interests in the Target Company.

**INFORMATION ON THE TARGET COMPANY**

The Target Company is a company established in the PRC on 30 November 2022 with limited liability and is principally engaged in the production and sales of biomass fuel; production and sales of bio-organic fertiliser; and related consulting and technology services.

As at the date of this announcement, the registered capital of the Target Company amounted to RMB12,000,000 (equivalent to approximately HK\$13,693,000) and the Target Company is wholly-owned by Beijing Zhenhui.

As no business operation has been carried out since the date of establishment of the Target Company (i.e. 30 November 2022), no profit has been recorded from the date of its establishment up to the date of this announcement.

**INFORMATION ON BEIJING ZHENHUI**

Beijing Zhenhui is a company established in the PRC with limited liability and is principally engaged in the provision of technology services and consulting, energy saving management services, engineering services, and sales of machinery and equipment, construction materials, hardware, electronic and chemical products.

**REASONS FOR AND BENEFITS OF THE CAPITAL INJECTION**

The Group is principally engaged in (i) provision of water supply, sewage treatment and construction services; (ii) exploitation and sale of renewable energy in the PRC; and (iii) property investment and development.

The Group has commenced tapping into the investment and operation of new energy and renewable energy business since 2013. As disclosed in the annual report of the Company for the year ended 31 December 2021 and the interim report of the Company for the six months ended 30 June 2022, the Group will continue to focus on the business development of environmental protection and new energy segment with strong emphasis on biomass gas power generation. In order to further enhance its investment portfolio in the environmental protection and new energy business and to achieve its goal of becoming one of the leading biomass and fuel gas operators in the PRC, the Group has been seeking investment opportunities to expand its biomass gas power generation business. Accordingly, the Board



is of the view that the Capital Injection represents valuable business opportunities for the Group to further strengthen its market position in the new energy and renewable energy industry in the PRC.

The total contribution for the Capital Injection of RMB18,000,000 (equivalent to approximately HK\$20,540,000) is intended to be funded by the internal resources of the Group.

With regard to the aforementioned, the Directors (including the independent non-executive Directors) consider that the terms of the Capital Injection Agreement are fair and reasonable and the transaction contemplated thereunder is on normal commercial terms and is in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As the applicable percentage ratio(s) (as defined under the Listing Rules) in respect of the Capital Injection, is more than 5% but less than 25%, the entering into of the Capital Injection Agreement constitutes a discloseable transaction on the part of the Company under the Listing Rules and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Further, as at the date of this announcement, Beijing Zhenhui is a substantial shareholder of 霍邱徽沼可再生能源科技有限公司 (for transliteration purpose only, Huoqiu Huizhao Renewable Energy Technology Co., Ltd.<sup>#</sup>), which in turn is an indirect non-wholly owned subsidiary of the Company. Beijing Zhenhui is thus a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules. Accordingly, the transaction contemplated under the Capital Injection Agreement constitutes a connected transaction on the part of the Company under Chapter 14A of the Listing Rules.

As (i) Beijing Zhenhui is a connected person of the Company at subsidiary level; (ii) the Board has approved the Capital Injection Agreement and the transaction contemplated thereunder; (iii) the independent non-executive Directors have confirmed that the terms of the transaction are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole, the transaction contemplated under the Capital Injection Agreement is subject to the reporting and announcement requirements but is exempt from the circular, independent financial advice and shareholders' approval requirements.

## **DEFINITIONS**

Unless the context requires otherwise, the capitalised terms used in this announcement shall have the following meanings:

“Beijing Zhenhui” 北京振徽節能環保科技有限公司 (for transliteration purpose only, Beijing Zhenhui Energy Saving and Environmental Protection Technology Co., Ltd.<sup>#</sup>), a company established in the PRC with limited liability and is, as at the date of this announcement, a substantial shareholder of 霍邱徽沼可再生能源科技有限公司 (for transliteration purpose only, Huoqiu Huizhao Renewable Energy Technology Co., Ltd.<sup>#</sup>), which in turn is an indirect non-wholly owned subsidiary of the Company



“Board”	the board of Directors
“Business Day(s)”	a day other than a Saturday, Sunday or statutory holidays stipulated by the government of the PRC
“Capital Injection”	the injection of the capital in the amount of RMB18,000,000 (equivalent to approximately HK\$20,540,000) by New China Water Nanjing to the capital of the Target Company in accordance with the terms and conditions of the Capital Injection Agreement
“Capital Injection Agreement”	the capital injection agreement dated 5 January 2023 and entered into among New China Water Nanjing, Beijing Zhenhui and the Target Company in relation to, among others, the Capital Injection
“Company”	China Water Industry Group Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the Stock Exchange (stock code: 1129)
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“connected transaction”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries from time to time
“Handover Procedures”	has the meaning ascribed thereto in the paragraph headed “Capital Injection Agreement — Handover procedures” in this announcement
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New China Water Nanjing”	新中水(南京)再生資源投資有限公司 (for transliteration purpose only, New China Water (Nanjing) Renewable Resources Investment Company Limited <sup>#</sup> ), a company established in the PRC with limited liability and is an indirect non-wholly owned subsidiary of the Company
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Registration of Modifications”	has the meaning ascribed thereto in the paragraph headed “Capital Injection Agreement — Conditions” in this announcement

“Shareholder(s)”	holder(s) of the issued share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto in the Listing Rules
“Target Company”	勃利縣中水皖龍可再生能源科技有限公司 (for transliteration purpose only, Boli County Zhongshui Wanlong Renewable Energy Technology Co., Ltd. <sup>#</sup> ), a company established in the PRC with limited liability, which is wholly and beneficially owned by Beijing Zhenhui as at the date of this announcement
“Target Company’s Articles”	the articles of association of the Target Company
“Transitional Period”	the period from the reference date under the Capital Injection Agreement, being 30 November 2022, to the date of completion of the Registration of Modifications and the Handover Procedures
“RMB”	Renminbi, the lawful currency of the PRC
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“%”	per cent

By order of the Board  
**China Water Industry Group Limited**  
**Mr. Zhu Yongjun**  
*Chairman and Executive Director*

Hong Kong, 5 January 2023

<sup>#</sup> *the English translation of Chinese names or words in this announcement, where indicated, is included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.*

*For the purpose of this announcement, conversion of RMB into HK\$ is based on the exchange rate of RMB1.00 to HK\$1.1411. The exchange rates have been used, where applicable, for the purposes of illustration only and do not constitute a representation that any amounts in RMB or HK\$ were or may have been exchanged at this or any other rates or at all.*

*As at the date of this announcement, the Board comprises Mr. Zhu Yongjun (Chairman), Ms. Chu Yin Yin Georgiana, Ms. Deng Xiao Ting and Mr. Hu Siyun, all being executive Directors and Mr. Wong Siu Keung, Joe, Mr. Lam Cheung Shing, Richard and Ms. Qiu Na, all being independent non-executive Directors.*